

# Consumer Awareness

## *Module Description*

A sixty- to ninety-minute interactive program suitable for all audiences, designed to develop knowledge and skills that will enable participants to raise their awareness of consumer issues and to make deliberated choices about spending their money in today's complicated marketplace.

## *Materials*

Sources of Help

Buyer Beware Jackpot Game ([www.lifelines4qol.org](http://www.lifelines4qol.org))

## *Note*

The instructor must become knowledgeable about specific local area frauds, misrepresentations, and rip-offs and be prepared to identify the schemes and to explain in detail how the target and trap their victims. The instructor should contact Navy Legal Services Office, Navy Family Services Center, and the Armed Forces Disciplinary Control Board for current information. It is also valuable to contact the Command Financial Specialist to discuss particular problems which have hit servicemembers at the command recently.

### *Instructor References*

SECNAVINST 1754.1, Family Service Center Program

OPNAV Instruction 1740.5A (Draft), Personal Financial Management Education, Training and Counseling Program

Command Financial Specialist Training Manual, NAVPERS 1560.8C (or later)

Consumer Reports and Consumer Research Publications

Federal Trade Commission, various pamphlets of interest to consumers.

Garman, Thomas. Ripoffs and Frauds. Houston, TX: Dame Publications, 1996.

Garman, Thomas. Consumer Economic Issues in America, 4th Edition. Houston: Dame Publications, 1996.

Hudson, Michael. Merchants of Misery: How Corporate American Profits from Poverty. Monroe, ME:

Hudson, Michael. Predatory Financial Practices: How Can Consumers Be Protected. AARP, 1998.

Navy Times, "Navy Tackles Title Loan Companies' Interest Rates", August 30, 1999 P. 18

Nader/Ditlow. Lemon Book. Mount Kisco, NY: Moyer Bell Limited, 1990.

Sack, Steven Mitchell. Don't Get Taken! Yonkers, NY: Consumers Union of United States, Inc., 1992.

Rowe, Julie. Losing Your Name, Time. Vol. 154, No.17 Oct. 25, 1999. p.135

### *Relevant Websites:*

National Consumers League [www.natlconsumersleague.org](http://www.natlconsumersleague.org)

Internet Fraud Watch [www.fraud.org](http://www.fraud.org)

Consumer World [www.consumerworld.org](http://www.consumerworld.org)

National Better Business Bureau [www.bbb.com](http://www.bbb.com)

[www.lifelines4qol.org](http://www.lifelines4qol.org)

Consumer Safety Tips [www.consumer.gov](http://www.consumer.gov)

### *Objectives*

At the conclusion of this program participants will be able to:

- ◆ Demonstrate knowledge of consumer rights.
- ◆ Identify consumer rip-offs, scams and frauds.
- ◆ Recognize advertising and marketing practices.
- ◆ Identify methods for resolutions of consumer complaints and issues.
- ◆ Identify consumer resources - both military and community.

**1**

## *Introduction*

### **1. Introduce self:**

Professional background, affiliation with Navy. Introduce course, explain that “caveat emptor” is a Latin term for “let the buyer beware”.

## *Purpose and Agenda*

### **1. State Purpose and Review Agenda:**

The purpose of this program is to provide you with the necessary knowledge to be better informed consumers and to encourage thrift, financial responsibility, and sound financial planning. It will provide information on frauds and other rip-offs and strategies to combat them. Specifically, we will cover:

**2**

- ◆ Key terms and definitions
- ◆ The buying decision
- ◆ Important financial principles
- ◆ Advertising

**3**

- ◆ Frauds, misrepresentations and other rip-offs
- ◆ Combating rip-offs
- ◆ Consumer laws and Consumer rights
- ◆ How to cancel a contract
- ◆ Sources of help

## *Key terms and definitions*

### **1. Introduction:**

According to the U.S. Office of Consumer Affairs, fraud costs consumers over \$40 billion every year. We are constantly approached by people trying to take our money. Is this legal? Some offers are truly fraudulent and are illegal, most however, are simply rip-offs and misrepresentations. We are susceptible to these offers because we all want to get a good deal and spend as little as possible.

#### **What is the difference between fraud, “con”, and rip-off?**

- ◆ Fraud is a deliberate deception.
- ◆ A “con” occurs by defrauding the victim by first winning their confidence.
- ◆ Rip-offs are unfair acts of exploitation, they are not necessarily illegal. Rip-offs take advantage of areas where there are no consumer laws to provide protection.

#### **NOTE:**

*Ask question of class and allow for responses and discussion.*

### **2. Key Terms**

4
---

- ◆ Advertising: The means used by the manufacturer or seller to inform you about the product and entice you to buy it. The medium may be print, broadcast or word-of-mouth.
- ◆ Comparison Shopping: The practice used by smart shoppers to compare price, features, service, stores and other factors in order to get the best buy for their money.
- ◆ Consumers: The people with the money to spend who buy the products, that is, the targets.

- ◆ Quality of Life: The combination of life's attributes that consumers believe to be beneficial and satisfying. They need not be necessities.

5

## *The Buying Decision*

### **1. Buying is a process of making choices.**

- ◆ Want or Need?

Need is necessity. Clothes, food, shelter, fix the car or appliance, or replace it if it no longer works. Some aspect of current life will be degraded or not accomplished if the purchase is not made.

To want something may mean it is wonderful to have, but can be done without. It may feel like a need, but, really isn't one. A new car when the old one is still good, the latest fad toy, a computer or software, a bigger television are examples of wants, not needs.

- ◆ Brand name, store brand or generic?

The product with the store brand or a plain generic label may have been made by the same manufacturer. How much are you willing to pay for status? The brand name item will be the most expensive in such items as clothes, food, prescription and non-prescription drugs. The store brand, often the same item with the store's label, will cost less and the plain generic "unbranded" items will be the least expensive. Sometimes there are less expensive product lines within the same company, all selling the same product. For example, Chrysler "Town and Country", Dodge "Caravan"—identical except for interior differences and minor trim changes but very different in price.

- ◆ Save or spend?

This is another look at want versus need. Should you spend the money now or save it and hope for a better deal at a later date.

- ◆ Which product fits your need?

If you find the right product, the one you need, with the right features and price, why would you want to get the more expensive one with features you don't need or can't use?

- ◆ Military members

Servicemembers are particularly vulnerable to consumer rip-offs. They are often young and this may be their first experience away from home. Businesses love the military because you have a steady paycheck. They are all aware of the ease of paying by allotment and many businesses will actually have the allotment forms right there for you to fill out. There have even been instances where a business won't take any other method of payment. They like your steady income and allotment because it is easy to garnish. One last point about servicemembers is that they tend to buy on impulse more than the average consumer. After deployments or extensive TDY periods, it's not uncommon to blow all the money saved on things you missed for all those months or to purchase big ticket items because now you have money burning a hole in your pocket. For example, roughly 40% of service members purchase a vehicle after returning from a six month deployment.

6
---

**NOTE:**

*For more information on garnishment refer to the Credit Management and Legal Issues Modules.*

## 2. Making the decision

- ◆ Define the need  
Examine the need, write down the features you must have, those nice to have, and the ones not needed. Find the product(s) which fit the description.
- ◆ Search for alternatives  
Now that you have found the product, step back and look for other ways to satisfy that need, such as using things you may already have, or searching for less expensive options.
- ◆ Learn about the alternatives  
Be fair. Take a good, hard look at the alternatives. If they will do the job and fill the need, then be honest with yourself and realize that it may save you money.
- ◆ Weigh the alternatives  
Very few things are perfect fits. Weigh both sides of the decision, the first solution and the alternatives. Which, other than the desire to buy something new, is the best solution?
- ◆ Make a choice  
This is the hardest part. The natural tendency is to let someone else or 'circumstances' make the choice. That way, if it is the wrong choice, it isn't your fault. Make the choice, stick with it, and then go searching for the best deal. If all else fails, flip a coin!
- ◆ Review the choice before buying  
Sounds like a contradiction to the last one, doesn't it? What it really means is, have you done your homework by checking outside sources like Consumer Reports, the Better Business Bureau or people you know, or, have you just relied on your own impressions?



## *Important Financial Principles*

### **1. Economic terms:**

Following are five principles which are important to understand when dealing with personal finances. Some of you who have studied economics may recognize these terms.

- 1. Opportunity Cost:** The cost of doing something measured by the most valuable alternative you give up when you spend your money on a particular product or service. For example, if you go out to eat, you can't go to the movie; if you buy some shoes, you can't have a new fishing rod; if you buy a new TV, you can't go on that vacation you have been planning.
- 2. Law of Diminishing Utility:** The more of something you have, the less psychological value or worth it has to you. This may have to do with quantity or length of ownership. When you were a child, you valued pennies; today you give them to your child, or don't crawl under the car to get the one you dropped. When the car was new, it was your pride and joy; now, it is just the car you drive to the beach or work - and you have your eye on a new one to replace it!
- 3. Instant versus Deferred Gratification:** Buy it now or wait until you can afford it? The value of deferring the purchase (the reward) must be greater than for spending available resources immediately. This is why credit card debt is at an all-time high - and climbing. It is no longer necessary to save in order to purchase.
- 4. Law of Contradiction:** The conflict between personal financial values and spending behavior in your personal financial management system. The conflict can cause stress and lead to the breakdown in the system, which in turn leads to a lack of self-discipline in money manage-

ment, and then to financial trouble. For instance, purchasing an item that is a ‘want’ when you know it will prevent you from meeting a ‘need’.

5. **Scarcity:** The theory that either goods and services or the means to obtain them are limited, while your wants and needs are unlimited. The theory of scarcity is often overcome by ingenuity; for example, when there was a gasoline shortage and an embargo, the auto industry changed cars doubling fuel efficiency, which effectively doubled the fuel supply.

## Advertising

**1. The goal:** The goal of the advertiser is to get you to buy his or her product or service, to buy more in terms of quality or quantity than you planned to buy, to spend more than you intended to spend, and, if possible, to get you to buy something which you did not want or need before being subjected to the advertising campaign. These are the common types of advertising messages.

9

- ◆ **Informative:** Just the facts of the product are presented, in an appealing and understated way, in the belief that the quality of the product will “sell itself”. This is a tactic used to sell big ticket items like luxury cars and jewelry, or to come shop in a store with a high status appeal.

10

**Emotional:** The appeal is to obtain an emotional response that may have nothing to do with the product itself. This may imply you may be a societal outcast if you do not use this product (deodorant, toothpaste, the latest fad in jeans). It creates the myth of owning the latest “in” thing or service. Often include subtle put-downs of the competition.

- ◆ Personalized: Designed to make the customer think that the salesman or advertiser wants you, and only you for a customer. They may send you ‘personalized’ junk mail or call you on the phone and talk to you like you are a long lost high school buddy. Usually preys on the idea that we all want to have friends and here is one more who has your best interest at heart - as long as you buy the product.
- ◆ Association: Uses familiar people from the entertainment and sports industry to sell the product. The idea is that you can associate with that person on a personal level if you buy the product they endorse.
- ◆ Buzz Words: Words and phrases created to catch your attention, to make you think the product is somehow special or better than the former version or the competition’s version. The idea is to make you want to get rid of the other stuff and buy this one in order to have the newest, latest, best. Using these type of words is often called “baiting a sale”.
- ◆ Fear: Part of the emotional appeal approach. Plays on your fear of rejection or loss if you don’t use the favored product. This often includes the idea of personal ruin if this product is not used or purchased.
- ◆ Marketing: Where advertising informs and creates the desire to buy, marketing puts the product in your hand, literally or figuratively, and takes the money out of your wallet.

11

12

13

14

**NOTE:**

*Instructor should ask the audience for examples of people and the product they pitch.*

**NOTE:**

*Instructor should ask the class for the company name for each of the six slogan examples listed.*

15

Identify the following marketing slogans which are designed to make you feel you are in control and that it is your decision:

16

- ◆ “Use the card that pays you back” - Discover
- ◆ “Get a piece of the rock” - Prudential
- ◆ “Have it your way” - Burger King
- ◆ “When it’s time to relax, there’s just one beer” - Budweiser
- ◆ “Just do it!” - Nike
- ◆ “You’ve come a long way, baby” - Virginia Slims

### *Frauds, Misrepresentations and Other Rip-Offs*

17

#### **1. Common problem areas:**

Despite all of the warnings and consumer education, there is still an abundance of shady, misleading and illegal business going on in the marketplace. Anyone can be ripped-off if the circumstances are right. Because most businesses are honest, we tend to trust people. An overly trusting attitude and a passive approach to financial management is often our worst enemy.

- ◆ Auto repair frauds: Companies may use such tactics as misdiagnosing, doing unnecessary repairs, installing used parts and overcharging. Most states have an Auto Repair Facilities Act which means that you must be provided a written estimate of the repairs and that the actual cost will not exceed this by more than 10% or you must be contacted and give permission for the repairs. If you don’t give permission and the work is done anyway, then you don’t have to pay for it.

**NOTE:**

*In addition to the issues discussed here, the instructor should provide information on specific local area concerns, particularly those targeting military members and should explain how they work.*

- ◆ Bait and switch: Advertising a one-of-a-kind or lower priced product, “the loss leader”, in order to get the customer in the store where the salesman switches the customer to a higher priced product; often the advertised product is “sold out”.
- ◆ Chain referral schemes: This is a legitimate tool when used by an honest salesman to get referrals from the customer to friends. It becomes a scheme when the salesman lies to the prospect about the person who made the referral and what they said or did.
- ◆ Title loan companies: These companies use the title of a car as collateral on a loan, they are, in effect, a pawnshop for cars. You do not leave the car but you do leave the title as security and may even be asked to leave a set of keys. The keys will allow for easy repossession later. Some states restrict the annual interest rate, often to 30%, but some do not. For example, in Florida recently, they were charging 22% per month – 264% per year.
- ◆ Charity rackets: Dishonest, fake and occasionally well-known charities obtain contributions which go to high salaries or to the fund raisers. Sometimes as little as 5% goes to the charity and the rest goes to the fundraiser.
- ◆ Contests and free gifts: This is a way of getting the customer to come to the store or order the product even though “purchase is not required”. The merchant hopes that by giving you a free gift, you will feel obligated to spend money. The cost of the gift is in the markup of the product you buy.

**NOTE:**

*Instructor, determine if your state has an Auto Repair Facilities Act.*

- ◆ Identity Theft: This has become a serious problem which can ruin your credit and your good name. The availability of personal information has made it very easy for thieves to steal your identity and use it to open credit accounts, bank accounts, and get loans. To protect yourself, check your credit report every six months and shred financial data before dumping. In fact, in one year alone, over 350,000 people called TransUnion to report identity theft.
- ◆ Door-to-door sales: High pressure sales presentations are given with the hope that you will buy a product you don't need, or which has low value for the price paid, in an effort to get rid of the salesman. The salesman will often offer to perform a cleaning service in your home as a demonstration. These can take hours and it may be hard to get them to leave.
- ◆ Internet Scams: With the explosive growth of internet use, we are finding more and more sites that are designed to take your money. Policing the internet is very difficult so many scams are able to continue running for long periods of time. Before giving out banking or credit card information be sure you are working with a secure site that will encrypt your data. You also want to know who you are working with and to have an alternate way to contact them (phone number and address). That way if there is a problem and the site has been shut down, you have some recourse. A few of the more common problem areas are: auctions, general merchandise, pyramids, book sales, credit card issuing, prize offers, and franchises.
- ◆ Free inspection deals: Offering a free, no obligation inspection of your car or some part of your house. Invariably, something will be found wrong and it will need to be fixed. The repair is often overpriced - the cost of the inspection is actually in the repair cost.

- ◆ Get rich quick deals: The advertiser has a secret which will make you rich very quickly. He or she is willing to share with you - for a price! Send in your money for their book, seminar, tape or videos that will tell you everything you need to know.
- ◆ Health spas and dance lessons: They offer a “special” enticement to get you in the door in order to get you to sign a high price contract for a series of lessons or treatments.
- ◆ Pigeon Drop: This is a con game which preys on the victims greed and hope of getting something for nothing. The con artist and the victim find a wallet at the same time which contains a large sum of money. The con artist suggests that the victim, “the pigeon”, hold the wallet to see if someone claims it and, if not, they will split it. In a sign of good faith, the victim gives the con artist his own money equal to half of the money in the wallet. When the deal is done, the victim finds out that the wallet has been switched and is empty.
- ◆ Ponzi scheme: This is a highly complicated stock investment scheme which appears, to the victim, to be a fool proof way to make money in the market. It is actually a pyramid stock swindle involving the purchase and sale of non-existent stock, over and over, until it ends because the list of prospects has been exhausted or a sufficient number of complaints has brought it to the attention of law enforcement and the media. It is not unusual for the total amount of money involved in a successful Ponzi scheme to reach into the millions of dollars.

- ◆ Payday Loans: It is often difficult to avoid taking on additional debt when faced with “too much month left at the end of the money.” In most cases, if money is tight a few days before payday, it will be just as tight on payday. The costs are very high. If you need to borrow \$100 from one of these outlets, you simply write a check for \$100 (post-dated a maximum of two weeks). You will receive only \$82.50 in cash, in exchange for giving written permission to debit your checking account for the full \$100 on payday.

This is an especially large threat to our personnel stationed in states without a usury law. The normal disclosure form presented at the time you take on one of these loans will show at least 400% INTEREST.

The trouble starts when this or any other check you have written bounces. All the normal bad check charges apply. These charges must be paid in cash. Now the only likely source of quick cash is, you guessed it, back to the payday loan industry. It is easy to see how someone can soon be borrowing an entire paycheck in order to pay last payday's loans, then borrowing that money again to pay rent or food. Once started, it just doesn't end without yet another source of ready cash.

- ◆ Pyramids: This is a money making scheme where the person at the bottom of the pyramid buys his or her way into the program which promises to make them a lot of money. In order to make money, the person has to go out and find other people who will buy their position in the pyramid. The person has to pay money to buy the right to go up to the next level. A chain letter which says to “send a dollar to the person on the list and send out six letters to your friends” is a simple pyramid.

Pyramids should not be confused with legitimate multi-level marketing (MLM) businesses such as Amway,



Mary Kay and Avon. While the principle appears to be the same, signing up distributors below you in order to increase your sales and get a commission, the difference is that MLM's actually have products to sell and the money is made from the sale of those products, not from the sale of positions in the pyramid.

- ◆ Unordered merchandise schemes: Various businesses, charities in particular, send out merchandise to a consumer who has not ordered it in the hope that the consumer will feel obligated to pay for it or send in a donation. There is never an obligation to send money and any unordered merchandise may be considered a gift and kept. Easter Seals and Christmas Seals are examples.
- ◆ Work-at-home schemes: The idea is to sell the supplies to the person who wishes to work at home. Once the supplies have been purchased, the 'contract' gets canceled and the person is stuck with the supplies which they cannot return.
- ◆ Help with government forms: These companies sell a service which charges you for them to fill out government forms, such as Social Security applications. For a small fee, like \$15.00, they promise to fill the form out for you and then send it to you for you to sign and mail. In order to get the information, you have to fill out THEIR form first. This is a pure rip-off. Keep in mind that all government forms are free and there is no filing charge for any of them. Fill them out yourself and save money.

21

### *Combating Rip-Offs*

#### **1. Defend yourself:**

In order to be an aware consumer you need to be on guard for questionable tactics. A key phrase to remember is that awareness equals avoidance.

Learn to recognize these meaningless terms:

- ◆ “greatly reduced” - from what?
- ◆ “below cost” - and how do they stay in business selling this way?
- ◆ “now or never” - creates a sense of urgency on your part to buy or miss the opportunity. Wait a couple of months and you will see this item again. This is used in high pressure sales a lot, like timeshare vacations and campsites.
- ◆ “special purchase” - usually an excuse to raise the price with special features, looks. For example, a “special purchase” pickup in a unique “Texas” style.

22

#### **Be leery of ads that say:**

- ◆ “We finance E-1’s and up” – this actually means they prefer the E-1’s because they think they are more gullible. Expect high interest rates.
- ◆ “Specialists in military financing” – often this means, a good way to start an allotment for something which is overpriced and you may not need.
- ◆ “Instant financing” - not quite. Often the loan paperwork is “sold” to a financial company like Beneficial or some small firm with high interest rates.

- ◆ “Free ride to store!” - if they give you a ride, it does two things: (1) it makes you feel obligated to buy and (2) it makes it hard for you to leave! Some sailors have been stranded when they refused to purchase.

## 2. More consumer awareness tips:

**23**

- ◆ Carefully investigate “free” or “bargain” offers - often they are neither.
- ◆ Don’t be rushed into signing anything. If the deal isn’t good tomorrow, it isn’t a good deal.
- ◆ Especially don’t rely on verbal promises. If you don’t have it in writing, it is your word against the salesman’s. A verbal promise is only as good as the paper it’s written on.
- ◆ Ask questions about the product until you understand it. A good salesman will be able to answer them and will be glad to do so. Make sure you understand the service agreement.
- ◆ Be leery of businesses which have only a P.O. box for an address.
- ◆ Comparison shop. Always remember the key phrase – “Everything is Negotiable”.

**24**

- ◆ Analyze your needs and wants before you buy
- ◆ Know the product before you buy it. You can do this by asking questions, obtaining knowledge about the product before you begin shopping and by comparison shopping.
- ◆ Check the guarantee or warranty

**25**

- ◆ Can you REALLY afford it? Putting yourself just a “little” over your budget is still putting yourself over your budget. There are a number of ways to know what you can afford. These include: calculating your budget, preparing a spending or financial plan, and calculating your debt-to-

**26**

income ratio. All of these should be done before you begin shopping. For more information refer to the Developing Your Spending Plan module.

- ◆ Wait 24 hours before making a major purchase. This “cooling off” period will save you money once you get away from the salesman’s hype. You may want to “sleep on it”.
- ◆ Take prompt action if the product isn’t what you want or doesn’t live up to its advertising - or the salesman’s claim. It is easier to do if you keep the receipt.
- ◆ Remember how the sales world looks at you: military, possibly young, probably gullible, inexperienced, first steady income, first time away from home (lets the salesman be your “friend”), subject to impulse buying.

**Handout:**  
*Sources of Help*

27

### *Making a complaint*

**1. What to do:** If you are unhappy with a product or purchase, you should act immediately to fix it. Following are the steps to take:

- ◆ Contact the business first. Start with the salesman. If that doesn’t solve your complaint, go to the manager. Make sure you have all of your documentation, a clear description of the problem and what you would like to have to fix the problem. Be polite! Anger never solves anything and only makes the store personnel defensive. Besides, being polite may put them off guard and help your cause. Sometimes company policy prevents the manager from giving you the help or remedy you desire. Be patient.
- ◆ If the store manager is unable to help you, write a letter to the president of the company. Try to obtain his/her name and address from the store manager. Fully explain the problem in clear language, include all documentation and anything else you need to tell your side of the story.

**NOTE:**  
*Instructor should  
direct participants  
attention to the sample  
complaint letter*

Be polite! Consider sending the letter by certified mail with a return receipt.

- ◆ If you still are not satisfied, take your complaint to the Better Business Bureau. They have a mediation service, no charge, which will try to resolve your complaint. You will have to agree to accept their decision, in writing, before they will try to help you.
- ◆ Another source of help is the state office of consumer affairs. They are able to address consumer complaints of all kinds. Be prepared to wait for a while.
- ◆ If you believe that the company has taken advantage of you because of your military status or it is likely to take advantage of other military personnel, you can report it to the Armed Forces Disciplinary Control Board.

### *Consumer Laws and Consumer Rights*

**Note: The Instructor should contact Navy Legal Services Office and the Navy Family Services Center to gather information about state consumer protection laws and add that information to this section. Also check to see if your state has an attorney general's website for information. For more information on laws refer to the Legal Issues Module.**

Consumers do have legal rights, both at the state and federal level. Know these rights in order to protect yourself.

**28**

## 1. Federal Consumer Laws

Soldiers' and Sailors' Civil Relief Act: This Act was passed by Congress in 1940 and provides a number of protections for military members. One of these provides the opportunity for a servicemember to delay a court date when military duties make it impossible to appear. You are guaranteed the right to have your day in court. You can not be tried in absentia.

Consumer Bill of Rights: these are general rights of access to product and price information and the right to an informal dispute process.

Fair Credit Billing Act: this applies only to credit purchases and allows you to withhold payment on a disputed product or service. This law allows you to challenge a credit card charge when the charge was unauthorized or is an error, you never received the product, or the product did not perform as promised.

Lemon Laws: this is the common name for the Motor Vehicle Warranty Enforcement Act. These laws allow you to take back a new vehicle that has safety or repeat mechanical problems that are a major defect. You are entitled to a refund or a replacement. Some states also have laws regarding used vehicles.

**29**

Cooling Off Periods: consumers may be able to cancel a purchase contract within three business days. Be aware that cooling off periods do not apply to vehicle purchases and leases or contracts signed at the merchant's place of business, unless actually written into the contract. There are several exceptions to this rule but in many cases your contract is binding the moment you sign, so be very sure of yourself before signing.

Exceptions:

- ◆ Door-to-door sales – 3 days
- ◆ Home improvements – 3 days
- ◆ Health club memberships – 3 days
- ◆ Telephone solicitations – 3 days from the receipt of the written contract
- ◆ Campground membership – 7 days
- ◆ Time shares – 10 days

## 2. State Consumer Protection Laws

30

**Note:** Instructor should inform class of relevant state regulations.

### *How to Cancel a Contract*

31

#### 1. Steps to cancellation:

There are 4 basic steps to take to legally cancel a contract:

- ◆ Cancel in writing
- ◆ Keep a copy of your cancellation letter
- ◆ Send the cancellation by Certified Mail with Return Receipt Requested. This will provide you with a record that your cancellation request was received in case a dispute arises.
- ◆ Hold your letter copy and signed return receipt until you get your money back

**NOTE:**  
*Instructor should refer class  
to the handout again for the  
addresses to remove names  
from solicitation lists.*

32

### *Sources of Help*

#### **1. Get your name off solicitation lists:**

People are often upset by the amount of solicitations they receive for products or services they do not want. Your handout lists the names and addresses to which you can write to request your name be removed from solicitation lists. Be sure to save your mail for a few months and see all the different versions of your name used and include all these in your letters. The U.S. Post Office can also be of assistance as can the Credit Reporting Agencies. Tell them in writing that you do not want your name to be sold or provided to any direct mail organization.

#### **2. Local resources:**

**NOTE: Provide phone numbers and names (if possible) for each of these resources.**

**1. Your Command Financial Specialist:** provide name(s) if this is a GMT at a command.

**2. Navy Family Service Centers.** Your local NFSC will have a Financial Educator and/or a CFS on staff to provide personal financial information and counseling. They normally work closely with the CFS at the local commands.



**3. Navy-Marine Corps Relief Society** has trained budget counselors that can assist in preparing a spending plan.

**4. Navy Legal Services** can provide assistance in a dispute over a bill or contract. They strongly encourage service members to come in with a copy of the contract before signing it when making any major purchase.

**5. Better Business Bureau (BBB)** has a mediation service, no charge, which will try to resolve your complaint. They can also provide you with business performance reports and complaints registered information via an automated telephone recording service.

**6. Office of Consumer Affairs** is a good resource for information and general consumer awareness knowledge. They are also able to address consumer complaints of all kinds.

**7. Armed Forces Disciplinary Control Board (AFDCB)** is usually reached through Navy Legal Services Offices. You can complain about a company and they will research the complaint. If the complaint is valid and the company will not change its ways, the AFDCB can place it off limits to all military personnel. That means military personnel are prohibited from entering or buying from that place.

Protect yourself as a consumer by becoming aware of tactics used by sellers to induce you to purchase and by knowing your legal rights and use them if necessary. You can learn to recognize a scam by knowing the how and why of rip-offs and fraud and thus not be taken advantage of. When in doubt, check it out! Remember “caveat emptor”.

### *Buyer Beware Jackpot Game*

**NOTE:** This is an optional activity designed to test participant retention of the materials just discussed. Based on time, you may chose to use a few questions as a wrap-up or follow the game format. Refer to the QOL MALL website- [www.lifelines4qol.org](http://www.lifelines4qol.org) In the Community and Family Support section of Wing One you will find the Personal Financial Management section which houses the Buyer Beware Jackpot Game. Play this game yourself to see the flow and determine if you wish to use it in the classroom setting. Also provide this website address to participants so they can play the game themselves at a later date.

### *Questions Bank*

#### *Where to Complain:*

1. Name the organization that uses an automated telephone recording service to provide potential buyers with business performance reports and complaints registered.

**A: WHAT IS . . . Better Business Bureau**

2. Name the military board that has the power to place a business establishment off limits for illegal and unsafe practices.

**A: WHAT IS . . . Armed Forces Disciplinary Control Board**

3. An action you can take to reduce the amount of “junk” mail you receive.

**A: (any one of the following)**

**WHAT IS . . . contact the Direct Marketing Association, the U.S. Post Office, the Credit Reporting Agencies**

**A: (any one of the following)**

**WHAT IS . . . Internet Fraud Watch, The BBB, Your Internet Service Provider.**

5. Three steps in making a consumer complaint.

**A: (any THREE of the following)**

**WHAT IS . . . Contact the salesperson; Contact the business; contact the company president, headquarters or regional office; use dispute settlement services (mediation); use your consumer advocates**

### *Consumer Rights:*

1. The total number of days you have in which to cancel a contract signed at the merchant's place of business.

**A: WHAT IS . . . ZERO days!**

Many states offer little consumer protection unless fraud is proven. Bottom line: Can you get out of the contract? Probably not! The best protection is to have a written 3 day cancellation clause in the contract. Do not sign any documents waiving (giving up) the right to cancel.

The three day "cooling off" rule (opportunity to cancel contracts) generally applies to home solicitations and telephone sales.

2. The common name for the Motor Vehicle Warranty Enforcement Act that applies ONLY to new cars involving safety or repeat mechanical problems.

**A: WHAT IS . . . The Lemon Law**

3. The cap or limit on interest rates in the United States.

**A: WHAT IS . . . there is NO federal limit. This is set by state laws if they exist. What's the highest you've seen?**

4. Name the law in most states which prevents mechanics from exceeding a written repair estimate by more than 10% (unless you authorize it)

**A: WHAT IS . . . Auto Repair Facilities Act**

5. One of the four federal consumer protection laws that were discussed in this program.

**A: (may include any one of the following):**

**WHAT IS . . . The Consumer Bill of Rights, Fair Credit Billing Act; Lemon Laws, The Soldiers' and Sailors' Civil Relief Act**

### *Sources of Help:*

1. Name the title of the point of contact in your command who provides service members with sources of help and budget counseling.

**A: WHAT IS . . . Command Financial Specialist (CFS)**

2. **Daily Double:** Name the organization where sailors and military family members can attend financial, parenting and resume writing classes at no cost.

**A: WHAT IS . . . Navy Family Service Centers**

3. Name the publication which provides ratings on performance, quality and reliability of merchandise and automobiles.

**A: WHAT IS . . . Consumer Reports**

4. Name the military resource where sailors can bring unsigned contracts to be reviewed by an attorney for no cost.

**A: WHAT IS . . . NLSO, or Navy Legal Office**

5. This Act passed by Congress in 1940 provides protection to active duty service members. One protection of this Act would be the opportunity to delay a court date until the service member can appear in court. Name this Act!

**A: WHAT IS . . . The Soldiers' and Sailors' Civil Relief Act**

### *Scams:*

1. Name the type of business that may charge 22% interest per month, while still allowing you use of your vehicle, but in effect, taking over ownership by holding the title?

**A: WHAT IS . . . a "Title Loan Company"**

2. Name one of the "buzz" words used in advertising and "baiting a sale"

**A: WHAT IS . . . "Free", "new", "new and improved", "fat-free"**

3. Name the type of money making scheme where the person at the bottom of the buys his or her way into the program which promises to make them a lot of money but the person has to go out and find other people who will buy their position.

**A: WHAT IS . . . a “Pyramid Scheme”**

4. Name the correct way to cancel a contract signed in your home or discussed by phone.

**A: WHAT IS . . . Send a certified letter to business (return of receipt proof). Be sure to act within the three business day window. Saturdays are considered business days. Sundays and holidays are not.**

5. Name the motto or creed a consumer should live by in the marketplace in order to avoid being “ripped off.”

**A: WHAT IS . . . “Caveat Emptor” or “let the buyer beware.”**

### *Combat Strategies:*

1. Name the “cooling off” strategy of waiting a day before purchasing an item.

**A: WHAT IS . . . “Sleep on it”/ take 24 hours**

2. Complete this sentence: Verbal promises are only as good as the paper it's \_\_\_\_\_ on.

**A: WHAT IS . . . “written”. Verbal promises aren't worth anything if you need to prove something in court.**

3. The phrase to remember when negotiating.

**A: WHAT IS . . . Everything Is Negotiable.**

4. One way to “Know the Product.”

**A: ( may include any one of the following)**

**WHAT IS . . .** Ask questions, obtain knowledge, comparison shop.

5. One way to “Know what you can afford.”

**A: ( may include any one of the following)**

**WHAT IS . . .** Calculate your budget, spending plan or financial plan; calculate your debt-to-income ratio.

***Bonus round or tie buster:***

1. The total number of days you have in which to cancel a contract signed in your home.

**A: WHAT IS . . . “3 days” This is a door-to-door sale.**

2. Complete this sentence:  
Awareness equals \_\_\_\_\_ .

**A: WHAT IS ... “AVOIDANCE”.**